BANK INDONESIA
REGULATION NUMBER
21/7/PBI/2019 CONCERNING
AMENDMENT TO BANK INDONESIA REGULATION NUMBER
20/10/PBI/2018 CONCERNING DOMESTIC NON-DELIVERABLE FORWARD
TRANSACTIONS

BY THE BLESSINGS OF THE ALMIGHTY GOD

GOVERNOR OF BANK INDONESIA,

Considering:

a. that to reach and maintain rupiah stability, a liquid and efficient domestic foreign exchange market is required to support national economic activities;

b. that to increase liquidity and efficiency in domestic foreign exchange market, Bank Indonesia deems it necessary to give flexibility in domestic non-deliverable forward transactions as part of hedging instrument in domestic foreign exchange market;

c. that based on the foregoing considerations set forth in letter a and letter b, it is necessary to stipulate Bank Indonesia Regulation on Amendment to Bank Indonesia Regulation Number 20/10/PBI/2018 on Domestic Non-Deliverable Forward Transactions;

Observing:

1. Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia of 1999 Number 66, Supplement to State Gazette of the Republic of Indonesia Number 3843) as last amended by Law Number 6 of 2009 on Establishment of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia as a Law (State Gazette of the Republic of Indonesia of 2009 Number 7, Supplement to State Gazette of the Republic of Indonesia Number 4962);
2. Law Number 24 of 1999 on Foreign Exchange Flow and Exchange Rate System (State Gazette of the Republic of Indonesia of 1999 Number 67, Supplement to State Gazette of the Republic of Indonesia Number 3844);
3. Bank Indonesia Regulation Number 20/10/PBI/2018 on Domestic Non-Deliverable Forward Transactions (State Gazette of the Republic of Indonesia of 2018 Number 170, Supplement to State Gazette of the Republic of Indonesia Number 6252);

HAS DECIDED:

To stipulate: BANK INDONESIA REGULATION CONCERNING AMENDMENT TO BANK INDONESIA REGULATION NUMBER 20/10/PBI/2018 CONCERNING DOMESTIC NON-DELIVERABLE FORWARD TRANSACTIONS.

Article I

Several provisions of Bank Indonesia Regulation Number 20/10/PBI/2018 on Domestic Non-Deliverable Forward Transactions (State Gazette of the Republic of Indonesia of 2018 Number 170, Supplement to State Gazette of the Republic of Indonesia Number 6252) are amended as follows:

1. 1 (one) paragraph, namely paragraph (4), is inserted into Article 3, and Elucidation of paragraph (3) letter c of Article 3 is amended, and therefore, Article 3 reads as follows:

Article 3

(1) The DNDF Transaction as referred to in Article 2 paragraph (1) letter b and Article 2 paragraph (3) letter a and letter b must have Underlying Transactions.

(2) The Underlying Transaction as referred to in paragraph (1) include all of the following activities:
   a. trade of goods and services within and outside the country;
   b. investments in the form of direct investments, portfolio investments, loans, capitals, and any other investments within and outside the country; and/or
   c. loan or financing extension by Bank in foreign currencies for trade and investment activities, primarily for transactions between Bank and Customer.

(3) The Underlying Transaction as referred to in paragraph (2) shall not include:
   a. securities issued by Bank Indonesia;
   b. fund placement;
   c. undisbursed loan or financing facilities by Bank;
   d. document of foreign currencies sell against rupiah;
   e. money transfer activities by fund transfer companies;

f. intercompany loan; and

g. money changer activities.

(4) The mandatory of Underlying Transaction as referred to in paragraph (1) is exempted for sale of foreign currencies against rupiah through DNDF Transaction by a Customer or Foreign Party in the maximum nominal amount of USD5,000,000.00 (five million United States dollar) or its equivalent per transaction for each Customer or Foreign Party.

2. 2 (two) paragraphs, namely paragraph (6) and paragraph (7), are inserted into Article 6, and therefore, Article 6 reads as follows:

Article 6

(1) DNDF Transaction is settled through Fixing Mechanism.

(2) The Fixing Mechanism as referred to in paragraph (1) is conducted by using Jakarta Interbank Spot Dollar Rate (JISDOR) as the reference rate for United States dollar against rupiah on a certain date determined in a contract (fixing date).

(3) If DNDF Transaction uses currency other than United States dollar against rupiah, the reference rate as referred to in paragraph (2) must use the Bank Indonesia FX transaction middle rate.

(4) DNDF Transaction must be settled in rupiah.

(5) DNDF Transaction may not be rolled over or terminated earlier.

(6) DNDF Transaction can be terminated (unwind).

(7) The unwind as referred to in paragraph (6) may be applied without any Underlying Transactions.

3. Provisions of Article 11 are amended, and therefore, it reads as follows:

Article 11

(1) The Underlying Transactions as referred to in Article 3 paragraph (1) for purchase of foreign currencies against rupiah through DNDF Transactions must be prooved by final Underlying Transaction documents and supporting documents.

(2) The Underlying Transactions as referred to in Article 3 paragraph (1) for sale of foreign currencies against rupiah through DNDF Transactions must be prooved by:

 a. final Underlying Transaction documents and supporting documents; or

 b. estimate Underlying Transaction documents and supporting documents.

(3) The types of Underlying Transaction documents set forth in paragraph (1) and paragraph (2) refer to Bank Indonesia provisions for transactions of foreign currencies against rupiah between banks and domestic parties and foreign parties.

(4) If a Customer or Foreign Party uses the estimate Underlying Transaction documents as referred to in paragraph (2) letter b in the form of cash flow projection, Bank must evaluate the appropriateness through:

 a. supplementary documents;

 b. historical data within at least 1 (one) year before; and

 c. track record of the Customer or Foreign Party.

(5) Invoices in foreign currencies from transactions for which rupiah is mandatory set forth in Bank Indonesia provisions for mandatory use of rupiah within the Unitary State of the Republic of Indonesia, may not be used as Underlying Transaction documents for DNDF Transactions.

(6) The same document of DNDF Underlying Transaction may not be used in more than 1 (one) Bank within the entire banking system of Indonesia at the same time.

(7) The same documents of DNDF Underlying Transaction as referred to in paragraph (6) may be used several times for DNDF Transactions and/or any other Transactions of Foreign Currencies against Rupiah provided that the Underlying Transaction documents are not due and does not exceed the nominal amount of the Underlying Transactions.

4. Provisions of paragraph (1), paragraph (3), paragraph (4), and paragraph (5) of Article 12 are amended, and therefore, it reads as follows:

Article 12

(1) Bank must ensure a Customer and/or Foreign Party submit:
   a. final Underlying Transaction documents and supporting documents; and/or
   b. estimate Underlying Transaction documents and supporting documents.

(2) Bank must ensure the accuracy and appropriateness of Underlying Transaction documents submitted by a Customer and/or Foreign Party.

(3) The Underlying Transaction documents as referred to in paragraph (1) must be received by Bank within no later than 5 (five) working days after a DNDF Transaction date.

(4) If the DNDF Transaction as referred to in paragraph (3) is due within less than 5 (five) working days after a transaction date, the Underlying Transaction documents set forth in paragraph (1) must be received by the Bank within no later than the due date.

(5) The mechanism of Underlying Transaction document submission set forth in paragraph (1) refers to Bank Indonesia provisions for transactions of foreign currencies against rupiah between banks and domestic parties and foreign parties.

Article II

This Bank Indonesia Regulation starts to take effect from its promulgation date.

For public recognition, it is hereby ordered this Bank Indonesia Regulation be promulgated in the State Gazette of the Republic of Indonesia.

Established in Jakarta on
15 May 2019

BANK INDONESIA GOVERNOR,

SIGNED

PERRY WARJIYO

Promulgated in Jakarta
on 16 May 2019

MINISTER OF LAW AND HUMAN RIGHTS OF
THE REPUBLIC OF INDONESIA,

SIGNED

YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2019 NUMBER 101

ELUCIDATION
OF
BANK INDONESIA
REGULATION NUMBER
21/7/PBI/2019 ON
AMENDMENT TO BANK INDONESIA REGULATION NUMBER
20/10/PBI/2018 ON DOMESTIC NON-DELIVERABLE FORWARD
TRANSACTIONS

I. GENERAL

In performing Bank Indonesia’s duty to achieve and maintain rupiah stability, Bank Indonesia has issued Bank Indonesia Regulation Number 20/10/PBI/2018 concerning Domestic Non-Deliverable Forward Transaction. DNDF Transaction constitutes part of an effort to enrich hedging instruments that can be used by market participants with exchange rate risks.

As one of the efforts to accelerate the achievement of liquid and efficient financial market, Bank Indonesia gives flexibility through adjustment of Underlying Transactions for sale of foreign currencies against rupiah through DNDF Transactions conducted by a Customer or Foreign Party. This amendment of regulation is expected to facilitate market participants to hedge their exchange rate risks exposure through the sale of foreign currencies against rupiah through DNDF Transactions.

II. ARTICLE BY ARTICLE

Article I

Article 3

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

Self-explanatory.

Letter b

“Other investments” among others include investments and/or transactions made to implement Government’s policy on taxation.

Letter c

“Loan or financing” means provisions of fund or claim similar thereto based on a loan agreement between the Bank and another party, which obliges the borrower to repay its debts at a specified time with interest or fee, including:

1. overdraft, namely negative balance in a customer’s current account unpaid at the end of a day;
2. claim takeover in factoring activities; or
3. credit takeover or purchase from another party.

Paragraph (3)

Letter a

Securities issued by Bank Indonesia among others are Bank Indonesia Certificate and Bank Indonesia Securities in foreign currencies.

Letter b

Fund placement among others include savings account, checking account, time deposit, and negotiable certificate of deposit.

Letter c

““Loan or financing” means provisions of fund or claim similar thereto based on a loan agreement between the Bank and another party, which obliges the borrower to repay its debts at a specified time with interest or fee, including:

1. overdraft, namely negative balance in a customer's current account unpaid at the end of a day;
2. claim takeover in factoring activities; or
3. credit takeover or purchase from another party.

Unwithdrawn loan or financing facilities among others include standby loan and undisbursed loan.

Letter d

Self-explanatory.

Letter e

Self-explanatory.

Letter f

Intercompany loan among others includes credit extension in one company group or between affiliated companies.

Letter g

Self-explanatory.

Paragraph (4)

Example:

Investor AN invests in Indonesia but has not decided which rupiah asset to buy.

Investor AN decides to sell foreign currency against rupiah through DNDF Transaction of USD5,000,000.00 (five million United States dollar) to Bank A.

This transaction may be conducted without any Underlying Transaction because it is still within the limit of DNDF Transaction sale of USD5,000,000.00 (five million United States dollar).

Article 6

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

"Bank Indonesia FX Transactions mid rate" means the average of buy rate and sell rate as specified on Bank Indonesia's website.

Example:

Investor N has investment in Australia in Australian dollar (AUD) of AUD1,000,000.00 (one million Australian dollar). For the investment, Investor N intends to hedge by selling AUD against rupiah through DNDF Transaction of AUD1,000,000.00 (one million Australian dollar) for 1 (one) month at AUD/IDR rate of Rp10,800.00 (ten thousand eight hundred rupiah). On a fixing date, the buy rate and sell rate of Bank Indonesia FX transactions are, respectively, Rp10,700.00 (ten thousand seven hundred rupiah) and Rp10,800.00 (ten thousand eight hundred rupiah), and therefore, the Bank Indonesia FX transactions mid rate is Rp10,750.00 (ten thousand seven hundred fifty rupiah). From the DNDF Transaction, Investor N gains rate difference profit of Rp50,000,000.00 (fifty million rupiah) with the following calculation (Rp10,800.00-Rp10,750.00) x AUD1,000,000.00).

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Paragraph (6)

"Unwind" means a process to reverse a transaction by making an opposite transaction.

In conducting unwind, Bank will consider the track record of a Customer and/or Foreign Party to ensure the appropriateness of the unwind transaction.

Appropriateness evaluation through track records includes identification, verification, and monitoring to ensure a transaction matches the profile, characteristics, and/or transaction pattern of a Customer and/or Foreign Party.

Paragraph (7)

Example:

On 2 January 2020, Customer YL sells foreign currency against rupiah through DNDF Transaction of USD4,000,000.00 (four million United States dollar) without Underlying Transaction to Bank I due on 2 March 2020 (tenor of 2 months). Customer YL no longer wants the DNDF position. Based on the Bank's evaluation of the Customer's track record, Customer YL may unwind the DNDF Transaction on 2 February 2020 by making the opposite transaction, namely purchase of foreign currency against rupiah through DNDF Transaction of USD4,000,000.00 (four million United States dollar) due on 2 March 2020. The purchase of foreign currency against rupiah through DNDF Transaction may be conducted without any Underlying Transaction.

Article 11

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Letter a

Supplementary documents for an estimate

Underlying Transactions among others consist of invoice, work agreement, cooperation contract, memorandum of understanding, or any other similar documents.

If the supplementary document comes in the form of an invoice, the submission may be conducted after the invoice is issued.

Letter b

Example:

Company AP sells United States dollar against rupiah through DNDF Transaction of USD10,000,000.00 (ten million United States dollar) to Bank O on 2 August 2019 by submitting cash flow projection as an Underlying Transaction document. Bank O must ensure the appropriateness of the transaction by company AP by reviewing its historical data for the last 1 (one) year to evaluate the transaction appropriateness to the total sale amount of USD10,000,000.00 (ten million United States dollar).

Letter c

Appropriateness evaluation through track records includes identification, verification, and monitoring to ensure a transaction matches the profile, characteristics, and/or transaction pattern of a Customer and/or Foreign Party.

Paragraph (5)

Self-explanatory.

Paragraph (6)

Example:

Importer NS is an automotive importer with an Underlying Transaction document in the form of invoice for automotive spare part purchase in the amount of USD5,000,000.00 (five million United States dollar), payable by Importer NS on 20 December 2019. On 27 September 2019, Importer NS buys United States dollar against rupiah through DNDF Transaction to Bank A of USD1,000,000.00 (one million United States dollar) due on 27 October 2019. On 5 October 2019, Importer NS buys United States dollar against rupiah through DNDF Transaction of USD3,000,000.00 (three million United States dollar) to Bank B by using the same Underlying Transaction document. This transaction may not be conducted because it is conducted with different Banks at the same time.

Paragraph (7)

If a nominal value of an Underlying Transaction is higher than that of the DNDF Transaction, such Underlying Transaction may be used as an Underlying Transaction for a different DNDF Transaction and/or another Transaction of Foreign Currency against Rupiah, provided that it does not exceed the nominal amount of the Underlying Transaction when a DNDF Transaction and/or another Transaction of Foreign Currency against Rupiah are conducted.

Example of DNDF Transaction which is followed by a Spot Transaction and followed by DNDF Transaction:

On 1 September 2019, Importer N has an Underlying Transaction document in the form of invoice in a nominal amount of USD1,000,000.00 (one million United States dollar) due on 2 November 2019. On 1 September 2019, Importer N buys United States dollar against rupiah through DNDF Transaction to Bank B of USD300,000.00 (three hundred thousand United States dollar) due on 1 October 2019.

On 2 October 2019, Importer N uses the same Underlying Transaction document to conduct a Spot Transaction of USD200,000.00 (two hundred thousand United States dollar).

On 10 October 2019, by using the same Underlying Transaction document, Importer N may purchase United States dollar against rupiah through DNDF Transaction in a maximum amount of USD800,000.00 (eight hundred thousand United States dollar), due no later than 2 November 2019.

Example of DNDF Transaction which is followed by a Spot Transaction:

On 1 September 2019, Importer NS has an Underlying Transaction document in the form of invoice in a nominal amount of USD5,000,000.00 (five million United States dollar) due on 1 October 2019. On 1 September 2019, Importer NS buys United States dollar against rupiah through DNDF Transaction of USD5,000,000.00 (five million United States dollar) due on 1 October 2019. After the DNDF Transaction is due, Importer NS may conduct a purchase Spot Transaction of USD5,000,000.00 (five million United States dollar) by using the same Underlying Transaction document, provided that the invoice remains valid.

Example of DNDF Transaction which is followed by a Forward Transaction and option transaction:

On 1 August 2019, Importer B has an Underlying Transaction document in the form of invoice in a nominal amount of USD5,000,000.00 (five million United States dollar) due on 1 November 2019. On 1 September 2019, Importer B buys United States dollar against rupiah through DNDF Transaction of USD5,000,000.00 (five million United States dollar) due on 1 October 2019. After the DNDF Transaction is due, Importer B purchase Forward Transaction of USD3,000,000.00 (three million United States dollar) and purchase call option transaction of USD2,000,000.00 (two million United States dollar) due on 1 November 2019.

Example of DNDF Transaction which is followed by a DNDF Transaction:

On 1 September 2019, Importer D has an Underlying Transaction document in the form of invoice in a nominal amount of USD2,000,000.00 (two million United States dollar) due on 2 November 2019. On 1 September 2019, Importer D buys United States dollar against rupiah through DNDF Transaction of USD1,000,000.00 (one million

United States dollar) due on 1 October 2019. On 15 September 2019, Importer D may buy another United States dollar against rupiah through DNDF Transaction in the maximum amount of USD1,000,000.00 (one million United States dollar) due on 2 November 2019. The second DNDF Transaction may only be conducted with the same Bank because the DNDF Transactions are conducted at the same time.

Example of Spot Transaction which is followed by a DNDF Transaction:

Customer PT A is an automotive importer with an Underlying Transaction document of invoice of automotive spare part purchase in the amount of USD5,000,000.00 (five million United States dollar), payable by PT A on 20 December 2019. On 27 September 2019, PT A conducts a Spot Transaction to Bank B of USD1,000,000.00 (one million United States dollar); on 5 October 2019, PT A may purchase United States dollar against rupiah through a DNDF Transaction in the maximum amount of USD4,000,000.00 (four million United States dollar) to Bank B due on 18 December 2019. This transaction may be conducted because the Spot Transaction and DNDF Transaction are made by using an undue Underlying Transaction document, the amount does not exceed the nominal amount of the Underlying Transaction, and it is conducted in the same Bank.

Article 12

Paragraph (1)

Self-explanatory.

Paragraph (2)

“Accuracy” among others includes:

a. documents not in contravention of the laws and regulations; and

b. documents are issued by a company or institution whose existence may be confirmed.

"Appropriateness" among others includes:

a. documents are in line with the market practice;

b. transactions are in line with the Underlying Transaction documents; and

c. transactions conducted by a Customer and/or Foreign Party is in line with the historical data owned by the Bank and/or is in accordance with the needs of a Customer and/or Foreign Party.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Article II

Self-explanatory.

SUPPLEMENT TO STATE GAZETTE OF THE REPUBLIC OF INDONESIA
NUMBER 6353